ATTACHMENT 1

Per-Call Cost Study for Dial-Around Calls

Prepared by:

Wood & Wood Consulting, Inc.
4625 Alexander Drive, Suite 125
Alpharetta, Georgia

August 2002

TABLE OF CONTENTS

A. PURPOSE

The purpose of this study is to provide the cost information necessary for the Federal Communications Commission ("Commission") to adopt an updated "per-call" compensation rate to be applied to public payphones. Each step of the cost development process used in this study utilizes the methodology set forth in the Commission's *Third Report and Order, and Order on Reconsideration of the Second Report and Order* in CC Docket No. 96-128 released February 4, 1999 (hereafter *Third Report and Order*).

Our efforts have focused on the collection of updated input values for use within the Commission's methodology. Precautions have been taken to ensure that these updated values are both accurate and representative of current conditions in the marketplace.

Per-Call Cost Study

B. RESULTS

Our preliminary[1] results are as follows:

		Marginal Payphone (Zero Commission Locations)
Total Fixed Costs per Location, Per Month	$	107.32
Average Monthly Call Volume (all call types)		233.9
Cost per Call	$	0.459
Collection Costs	$	0.007
Interest (4 months)	$	0.018
Total Cost per Call (Rate that will permit cost recovery)	**$**	**0.484**

[1] As will be described in the Methodology section below, our data collection efforts are continuing. Revised results will be provided as additional information becomes available.

C. DESCRIPTION OF METHODOLOGY

This study utilizes the methodology developed by the Commission in the *Third Report and Order* and approved by the D.C. Circuit court of appeals. The study refines the data-collection process in order to improve its accuracy and specifically to ensure that the inputs to this methodology (1) are representative of values across a broad geographic area, and (2) accurately reflect the conditions of the current marketplace for public payphones.

When calculating the existing dial-around compensation rate of $.238, the Commission's analysis was constrained by limitations in the available data. Essential information was available only in the form of broad averages.[1] Because of these data limitations, the Commission's previous analysis is limited to a specific form of "average" result. Based on our careful review of the previously-available information, we have concluded that it is not possible to calculate other, potentially meaningful averages from that previously-available information, nor is it possible to gain insight into how location-specific factors might impact the results.

In order to collect the most accurate and useful information possible, we have undertaken an effort to collect location-specific data for a statistically valid number of payphones. In addition, the sampling was designed to ensure that all geographic areas are represented in the analysis. This was accomplished by stratifying the sample by NPA such that each NPA was assured representation in the sample. Doing so ensured that the sample size was larger than the level necessary to maintain statistical significance.

C.1 DEFINITION OF FAIR COMPENSATION

In the *Third Report and Order*, the Commission defined the task before it as one of "ensuring that providers of payphone services receive fair compensation for every call made using their payphones" (¶1). The Commission specifically noted that the language of Section 276(b) (1) (A) of the Act directs the Commission to establish a plan to ensure that PSPs are "fairly compensated" for every completed call, and to provide an opportunity for such fair compensation to be recovered on a per-call basis (¶21).

Because the Act does not provide a definition of the term "fair compensation," the Commission developed a definition for the purpose of implementing Section 276(b) (1) (A): "we conclude that the default per-call compensation amount we establish should ensure that each call at a marginal payphone location recovers

[1] Some information was available as a single national average, other information as separate averages for BOCs and PSPs, and other information were ultimately available on a PSP-specific basis. No location-specific information was available to the Commission.

the marginal cost of that call plus a proportionate share of the joint and common costs of providing the payphone" (¶59). This "proportionate share" of joint and common costs is to be calculated as follows: "we use the total monthly joint and common costs of the payphone operation and divide these costs by the total monthly number of calls from a marginal payphone location. This results in a per-call share of the joint and common costs" (¶76).

Because the results are intended to provide the basis for a rate that will allow "fair compensation" for dial-around calls, this study develops costs utilizing this methodology.

C.2 MANDATED STRUCTURE FOR COST RECOVERY

While the majority of the relevant costs are traffic-insensitive, the mandated recovery mechanism is traffic-sensitive. The Commission explicitly considered this relationship in the *Third Report and Order*: "...section 276 of the Act mandates a structure for recovering payphone costs, i.e., per-call compensation, that does not reflect the manner in which most costs are incurred by payphone owners. As previously indicated, most common costs of payphones are fixed -- that is, they do not vary with the volume of calls. Section 276, however, requires that PSPs be compensated on a per-call basis" (¶47). The Commission found this to be an imperfect but necessary outcome: "Because a per-call compensation mechanism is traffic-sensitive, in order to assure that the fixed costs are covered at a low traffic area, a fixed per-call compensation amount necessarily results in over-recovery of common costs for payphones in high traffic locations" (¶47).

The challenge to be faced when calculating a rate for dial-around compensation has not changed since the Commission's analysis: the majority of the costs to be recovered through this mechanism do not vary with the number or duration of calls, but are instead fixed for a given location. Our analysis follows the Commission's process of identifying these fixed costs and expressing them on a per-call basis, based on the average number of calls at a marginal payphone.

C.3 USE OF A MARGINAL LOCATION ANALYSIS

Rationale

Because of the service and volume insensitivity of certain costs, the calculation of per-call costs is sensitive to the number of calls that are made, on average, at the payphone to be studied. In the *Third Report and Order*, the Commission considered three scenarios: "In the first scenario, a premises owner is willing to pay its LEC PSP to install a payphone on its property, even though the payphone does not generate sufficient revenue to pay for itself. In the second scenario, the

payphone on the premises owner's property generates sufficient revenue to pay for itself. This premises owner need not pay the LEC PSP for the operation of the payphone, but the LEC PSP may not generate enough revenue from the payphone operation to pay the premises owner a location payment. In the third scenario, the payphone generates revenue sufficient for the premises owner to require the LEC PSP to pay a location rent" (¶146). Although stated in terms of LEC PSPs, it is clear that the Commission intended this concept to apply to independent PSPs as well.

The Commission elected to use the second (marginal location) scenario for two reasons. First, basing per-call costs and compensation levels on the number of calls at a marginal location will give PSPs an opportunity to recover their costs, including a normal return on the assets used (¶139). Second, while the use of a marginal location does not ensure that all payphone locations will be profitable,[2] it is consistent with Congress's stated objective of ensuring widespread deployment of payphones: "if we were to base the default compensation amount on the average payphone location, many payphones would become unprofitable and exit the industry. We therefore conclude that we should use the marginal payphone location when establishing the default compensation amount" (¶141). The Commission determined that a limited number of payphone locations would be unprofitable if per-call compensation is based on a marginal location analysis, but concluded that a calculation of per-call costs based on the volume of calls at a marginal location "should promote the continued existence of the vast majority of payphones" (¶59).

The Commission's marginal location analysis is applied in this cost study.

Method of Identification

The Commission defined a marginal location as one in which a PSP is able to recoup its costs, including a fair return on investment, but generates insufficient revenue to provide for a commission payment to the location owner.[3] In our analysis, we collected information related to a statistically-valid sample of public payphone locations. Because it is impossible to determine *a priori* which are marginal (i.e. no commission) locations, we have collected information regarding a larger sample of locations than was necessary to ensure statistical reliability. Based on the information collected regarding this larger sample, we identified the marginal locations. Results are reported for these "marginal payphones" (the average per-payphone costs and average number of calls at payphones for which no commissions are paid to the premises owner).

---

[2] Specifically, the Commission concluded that "our approach is not designed to make every payphone profitable. Payphones with sufficiently low call volumes or sufficiently high costs will not be profitable, regardless of the compensation amount we establish" (¶79).

[3] ¶139.

D. ANALYSIS

D.1 DATA SOURCES AND RELIABILITY

In order to calculate a rate for dial-around compensation in the *Third Report and Order*, the Commission relied on data submitted by the BOCs, BOC-affiliated PSPs, and independent PSPs if that information was sufficiently documented. For example, equipment costs reported by independent PSPs were utilized in order to accurately reflect the fact that these costs can vary significantly by location: "Because payphones serve a wide variety of locations, we find that the capital cost data from actual payphone operations will better reflect a PSPs actual costs" (¶135). A number of important inputs, including equipment types and call volumes, were collected from individual PSPs.

For other costs, the Commission relied on the LEC's tariffed rates (¶138). This cost study utilizes LEC billed amounts for costs associated with LEC charges. LEC charges are based on PSP-reported costs, as validated with LEC bills.

The Commission specifically rejected embedded costs (¶¶130, 134) and costs based on the costs incurred by companies providing non-payphone services (¶135). This study utilizes forward-looking inputs and PSP-specific data. For example, equipment prices are based on vendor quotes for currently available equipment.

D.2 CATEGORIES OF COST

D.2.1 Local Service Line Charges

Local Service Charges are based on actual (billed) Local Exchange Carrier fees for a payphone line, including basic line charges, End User Common Line Charge (EUCL), Primary Interexchange Carrier Charges (PICC) if applicable, blocking and screening, 911 fees, and applicable taxes as billed by the LEC. For areas in which Local Measured Service is used, only the line portion of the charge has been included.

D.2.2 Equipment Costs

Equipment costs are a function of the acquisition cost of the equipment, the useful life (and corresponding depreciation rate), and a fair return on investment.

D.2.2.1 Equipment Acquisition Costs

Acquisition costs were calculated using vendor quotes and equipment configurations reported by PSPs. Only current equipment prices have been used in order to assure that only forward-looking costs have been represented. The calculation of equipment costs used in the study is detailed in Section D.5.4. Coin mechanism costs have not been included in the equipment as configured.

The PSPs' cost to acquire and install this equipment has been capitalized in this analysis.

D.2.2.2 Depreciation Rate (Useful Life)

The useful life of an investment is directly impacted by two constraints. First, the investment can be consumed or rendered unusable by wear and tear. This constraint is typically the limiting factor in the useful life of a durable asset in a stable industry. Second, the useful life of an investment can be limited because of technological changes that render the asset obsolete. This constraint is typically the limiting factor in the useful life of a technology-based asset (such as computers), or assets utilized in an industry characterized by rapid change in the functionality required by customers.

While available evidence regarding changes in payphone technology strongly suggests that equipment placed today will have a useful life of less than ten years, we have utilized the Commission's ten year depreciable life in this study. The use of such an assumption will cause the results to be conservatively low.

Capital costs are shown in detail in Section D.5.5.

D.2.2.3 Return on Investment

Return on investment should be representative of a normal economic profit on the capital investments made in order to provide the service. When this return on investment is included in the cost calculation,[4] a rate set equal to the calculated cost would permit the provider to receive a fair return on investment.

While available financial data strongly suggests that the operation of a PSP carries more financial risk that the operation of a Tier 1 Local Exchange Company, a cost of capital of 11.25% is utilized in this study. This is the value used by the Commission to calculate costs in the *Third Report and Order.*

[4] The Commission has historically required this treatment of return on investment in cost studies conducted by the LECs, and adopted this approach when calculating costs to support its rate for dial-around compensation.

The monthly amount needed to recover the payphone provider's return of capital (depreciation) and return on capital (ROI) is calculated using a methodology that is identical to that used by the Commission when calculating these costs in the *Third Report and Order.*

Capital costs are shown in detail in Section D.5.5.

D.2.2.4 Taxes

A composite local, state, and federal tax rate of 39.25% is used. This is the value used by the Commission in the *Third Report and Order.*

Capital costs are shown in detail in Section D.5.5.

D.2.3 Operating Expenses – Repair and Maintenance

This information was collected directly from PSPs. The data collection process is detailed in Sections D.5.2 and D.5.3.

D.2.4 Sales, General, and Administrative (SG&A)

This information was collected directly from PSPs. The data collection process is detailed in Sections D.5.2 and D.5.3.

D.2.5 Collection Costs

This information was collected from APCC. Compensation collection costs included fees for billing aggregator services and legal and consulting fees incurred in litigation with IXCs. Unlike the cost categories described above, compensation collection costs are specific to dial-around calls. These costs are calculated as a per-call amount.

D.2.6 Interest

Interest for a four-month time lag prior to payment is calculated in accordance with the Third Report and Order, based on an annual rate of 11.25%.

D.3 Per-Call Compensation Rate Calculation

In order to calculate a per-call cost for a marginal payphone, we used the averaging approach utilized by the Commission in the *Third Report and Order*. Specifically, the input values for each category of cost were averaged across all locations. For example, LEC line costs averaged $36.95 per month for the marginal payphone locations studied. The monthly average for each cost category was then summed to develop an average per-location cost for that category. Call volumes were likewise averaged across all payphones. The per-call cost was then calculated by dividing the monthly fixed cost per marginal payphone location by the average number of calls (all call types).

D.4 Data Collection

D.4.1 Sample Design

Data collection was carefully designed to ensure a statistically valid sample and avoid distortion of the results. A database maintained by APCC Services was used as a proxy for the universe of payphones. This database contains ANIs for over 400,000 payphones across the country. In order to ensure the data collected is representative of all locations, it is necessary to ensure a sufficient sample size. In addition, the sample was stratified in order to ensure that each NPA would be represented. This stratification resulted in a total sample size (approximately 940 payphones) that is larger than necessary in order to ensure randomness and statistical validity. The use of a stratified sample rather than a simple random sample increased the logistical complexity but increased the likelihood that any geographic differences in cost characteristics will be fully captured.

The sample was created through the following process: (1) the percentage of payphone lines in each NPA was calculated, (2) a total sample size was calculated to ensure that all NPAs (including those with the lowest percentage of the total lines) would contain at least one member of the sample, (3) each NPA was assigned a weighting based on the number of payphone lines in that NPA, (4) an appropriate number of ANIs were randomly selected from the population of each NPA based on that weighting.

D.4.2 Survey Design

A survey was created in order to elicit the necessary information from individual PSPs. The survey was distributed via email and fax, and results were received via email, fax, and U.S. mail.

The survey form and accompanying instructions are attached in Sections D.5.2 and D.5.3.

D.5 CALCULATIONS AND WORKPAPERS

The following workpapers have been included in this section:

Summary of Data Sources by Cost Category

Line	Cost Element	Marginal Payphone (Zero Commission Locations)	Source
Line 1	Equipment Costs (excl coin mechanism)	$ 27.66	Equipment type from Survey questions 58-63 and 70
Line 2	LEC Line Costs	$ 38.77	Survey questions 66, 67 and 68
Line 3	Maintenance Costs	$ 17.45	Survey question 74
Line 4	SG&A Costs	$ 23.43	Survey question 73
Line 5	Subtotal of Costs	$ 107.32	
	Calls	233.9	Survey questions 51, 52, 53 and 54 and dial-around call counts from APCCS database.
Line 6	Cost per Call	$ 0.459	
Line 7	Collection Costs	$ 0.007	
Line 8	Interest for Four months	$ 0.018	FCC Third Report and Order
Line 9	Total	$ 0.484	

Instructions

Purpose of Study

In order to develop a rate for dial around compensation to be proposed to the FCC, it is necessary to collect specific cost and other information for a representative number of payphone locations. A group of locations has been randomly selected for study.

In order for the final study to be statistically valid, it is essential that information be collected for each of the locations chosen. Your timely contribution is vital to this effort.

Confidentiality of all Submitted Information

We understand that some of the information requested is competitively sensitive in nature. In order to respect this confidentiality, the following safeguards have been put into place:

1. All information is being collected by an independent third party. No information submitted by any company will be divulged to any other company at any time or for any reason.

2. All information will be coded immediately upon receipt. The identity of the provider and the location ANI will be replaced by a code whose key resides only with the independent third party conducting the study. At no time will the information be presented in a way that reveals the identity of the provider or the payphone location being studied.

3. Information that is specific to a given provider or payphone location will be consolidated with information received from other providers. The cost analysis that will be presented to the FCC – and the only analysis that will be made public – will be based on these aggregated values.

If you have any questions or concerns regarding the security measures that have been put into place, please contact Don Wood via any of the methods described below.

Data Input Form

Attached is a data collection form. This form contains a description of the information requested, a data entry field, and an illustrative example of the requested information. A separate form should be filled out for each requested location.

The form is designed to be self-explanatory and to require a minimum amount of time to complete. If you have any questions, please call us (toll free) at 1-877-583-3555. At the voice prompt, enter extension 201 (Don Wood) or extension 203 (Gregory Kraigher). You may also reach us by email at APCCsurvey@woodandwood.net.

Completed forms can be returned via one of three methods. You can email the completed form to APCCsurvey@woodandwood.net (this is the preferred method). You can also fax a printed copy to us at 770.475.9972, or return the printed form via US mail to the following address:

APCC
Dial Around Compensation
Cost Study

line				Answer	Example
1		Company APCC or CBID Number (If known)	===>	0	XXXXX
2		ANI:	===>		NPA-NXX-XXXX
3					
4	**Commissions**				
5		In order to calculate the dial around compensation rate based on the FCC methodology, we need to compare the commissions being paid for a given ANI to the traffic patterns and costs that are specific to that ANI.			
6		Do you currently pay any commission to the location owner at this location?	===>		Y or N
7		If yes, please provide the following information about the commission structure for this ANI:			
8		Do you currently pay a commission to the location provider for coin calls?	===>		Y or N
9		If yes, what commission, as a percentage of coin revenue, applies for this ANI?	===>		X%
10		Is this commission paid on the basis of gross or net revenue? NOTE: For purposes of this question, net revenue is defined as gross coin revenues minus the amount of the local line charges and minus any applicable taxes.	===>		Gross or Net
11					
12		Do you currently pay a commission to the location provider for OSP calls?	===>		Y or N
13		If yes, what commission, as a percentage of OSP revenue received, applies?	===>		X%
14					
15		Do you currently pay a commission to the location provider for dial-around calls?	===>		Y or N
16		If yes, what commission, as a percentage of DAC revenue, applies? NOTE: For purposes of this question, revenue is defined as the amount of DAC revenue actually received.	===>		X%
17		If a commission is being paid on a basis that is fundamentally different from the structure described above, please describe the method used to calculate commissions for this ANI.	===>		Describe method
18		Based on the cost and traffic characteristics for this ANI, what commission (as a percent of revenue) would you be willing to pay to the location provider if and when the contract with this location owner is renewed for the following call types...			
19		For Coin calls?	===>		X%
20		For OSP calls?	===>		X%
21		For DAC calls?	===>		X%
22		How many phones are included in the contract that applies to this ANI?	===>		X

APCC
Dial Around Compensation
Cost Study

line				Answer	Example
1		Company APCC or CBID Number (If known)	===>	0	XXXXX
2		ANI:	===>		NPA-NXX-XXXX
23		If this phone were the only phone included in this contract, and *based on the cost and traffic characteristics of this ANI*, what commission (as a percent of revenue) would you be willing to pay to the location owner for the following call types...			
24		For Coin calls?	===>		X%
25		For OSP calls?	===>		X%
26		For DAC calls?	===>		X%
27		Do you *receive* any compensation *from* the location provider to maintain or service this ANI?	===>		Y or N
28		If yes, how much do you receive each month?	===>	$ -	$ XX.XX
29					
30		Which of the following best describes this location?			
31		(Please place a check mark next to the best description)			
32	a	Transportation hub (airport, train station, bus terminal)	===>	-	
33	b	Gas station/convenience store	===>	-	
34	c	Retail (enclosed mall, strip mall, grocery store)	===>	-	
35	d	Restaurant or bar	===>		
36	e	Office or industrial building	===>	-	
	f	High density residential	===>	-	
37	g	Roadside, highway rest stop	===>	-	
38	h	Hotel/motel	===>		
	i	Hospital or other health care	===>		
	j	Education facility (school, university, museum)	===>		
	k	Park, public sports or amusement area	===>		
39	l	Other (specify)	===>		
40					
41		**Location of Payphone**			
42					
43		Is your phone the only payphone at that location?	===>	0	Y or N
44		If your answer is yes, how far is it to the nearest other payphone?	===>	0	X Miles
45		If your answer is no, how many other payphones are situated at that location?	===>	0	X
46					
47					
48		**Traffic Information**			
49		The FCC methodology is based on the average number of all calls for a given ANI, including all call types.			
50		For this ANI, provide the average number of *completed* calls per month for the call types listed below. If possible, provide a *per-month* average based on the most recent three months for which information is available.			
51		Local coin	===>	0	X
52		Long distance coin	===>	0	X
53		0+ or 0- (use OSP records, if available)	===>	0	X
54		Directory assistance calls (use DA provider records, if available)	===>	0	X
55		Total calls	===>	-	X
56					
57		**Equipment Information**			

APCC
Dial Around Compensation
Cost Study

line				Answer	Example
1		Company APCC or CBID Number (If known)	===>	0	XXXXX
2		ANI:	===>		NPA-NXX-XXXX
58		We need information regarding the type of equipment at this location and about the associated installation costs of that equipment.			
59	a	Telephone set [vendor, model, features]	===>	0	Describe equipment
60	b	Pedestal	===>	0	Describe equipment
61	c	Enclosure	===>	0	Describe equipment
62	d	Other	===>	0	Describe equipment
63	e	Provide the amount of the costs you incurred to install all of the necessary equipment at this location. Include both material and labor costs. Do not include telephone company charges for the installation of the line and do not include the cost of the equipment provided in a - d above.	===>	$	$ XX.XX
64					
65		**Telephone Company Charges**			
66		Provide the name of the local exchange telephone company (ILEC or CLEC) that provides the line at this location.	===>	0	LocalTel
67		What is the amount of the monthly recurring local line charges that you pay at this location? Include the basic line charge, any applicable federal charges (e.g. subscriber line charge and the universal service charge), and state surcharges (e.g. number portability, 911 surcharge and the universal service charge) that appear on your LEC's phone bill, and taxes based on any of these charges. Exclude any late payment charges or fees. **Also exclude local usage charges**, if any, such as message unit (per call) or per minute charges.	===>	$ -	$ XX.XX
68		Do you have a choice at this location between being billed on a measured or flat rate basis?	===>	0	Y or N
69					
70		What is the amount of the one-time installation charge paid to the LEC for the installation of the line for this location?	===>	$	$ XX.XX
71					
72		**Operating Expenses**			
73		What is the amount of your monthly overhead (sometimes referred to as Selling, General, and Administrative) cost per payphone. Include administrative, legal, rent, advertising, and similar costs. **Exclude coin collection expenses**. *NOTE: we are asking for the total amount of the overhead* costs you incur in an average month, divided by the number of payphones that you have in operation in that month.	===>	$ -	$ XX.XX

APCC
Dial Around Compensation
Cost Study

line				Answer	Example
1		Company APCC or CBID Number (If known)	===>	0	XXXXX
2		ANI:	===>		NPA-NXX-XXXX
74		What is the amount of your monthly Maintenance and Repair Expenses Per Payphone? Include both materials (e.g. spare parts) and labor costs. **Exclude coin collection expenses from this amount**. NOTE: we are asking for the total amount of the maintenance and repair costs you incur in an average month, divided by the number of payphones that you have in operation in that month.	===>	$ -	$ XX.XX
75		***Thank you very much for your assistance***. This information represents an essential component of our efforts.			
76		[redacted]			

Equipment Acquisition
Cost Calculation

Payphone Without Coin Mechanism	Protel 8000	Elcotel V	Other	Simple Average	Probability of Occurrence	Weighted Average
Phone	$ 497.00	$ 519.00	$ 339.00	$ 451.67		
Programming	45.00	45.00	45.00	45.00		
Rate File	25.00	26.00	20.00	23.67		
	$ 567.00	$ 590.00	$ 404.00	$ 520.33		$ 554.07
Survey %	56%	32%	12%	100%		
Pedestal	275.00	275.00	205.00	251.67	46%	115.04
Enclosure	400.00	300.00	107.00	269.00	74%	199.13
Other (1	150.00	150.00	125.00	141.67	19%	27.05
	$ 825.00	$ 725.00	$ 437.00	$ 662.33		
Total	$ 1,392.00	$ 1,315.00	$ 841.00	$ 1,182.67		$ 895.29

(1 Other includes phone books, signs and back plates.

Source: Vendor quotes

Assumptions:
1) The study calculates forward-looking-cost by using the replacement cost of equipment.
2) The type and mix of equipment was determined by the response to the survey.

Capital Cost Calculation

Cost Element	Marginal Payphone (Zero Commission Locations)
Equipment Depreciation	$ 12.37
Return (normal profit)	$ 8.29
Taxes	$ 6.59
Total Capital Costs	$ 27.25
Calls	233.9
Cost per Call	$ 0.116

Assumptions:

Equipment Life	10 Years
Return (profit) %	11.25%
Tax Rate	39.25%

Summary of Average Call Volumes, by Call Type

Calls	Marginal Payphone (Zero Commission Locations)
Dial-Around	55.9
Coin Local	158.9
Other (Sent Paid Toll O+O-, DA, LD Coin)	19.2
Average Number of Calls per month - All Types	233.9

E. Detailed Results

The following reports have been included in this section:

E.1 Costs by Cost Category, Marginal Payphones

E.2 Study Results by Category vs. Comparable Costs from *Third Report and Order*

Survey Results: Marginal Payphones

Cost Element	Marginal Payphone (Zero Commission Locations)
Equipment Costs (excl coin mechanism)	$ 27.66
LEC Line Costs	$ 38.77
Maintenance Costs	$ 17.45
SG&A Costs	$ 23.43
Subtotal of Costs	$ 107.32
Calls	233.9
Cost per Call	$ 0.459
Collection Costs	$ 0.007
Interest for four months	$ 0.018
Total	$ 0.484

Study Results vs. *Third Report and Order* Results, by Cost Category

Cost Element	Marginal Payphone (Zero Commission Locations)	FCC 3rd Report & Order
Costs Excluding Coin Mechanism	$ 27.66	$ 28.04
Line Costs	$ 38.77	$ 33.65
Maintenance Costs	$ 17.45	$ 18.90
SG&A Costs	$ 23.43	$ 19.62
FLEX ANI Costs	$ -	$ -
Subtotal of Costs	$ 107.32	$ 100.21
Calls	233.9	439.0
Cost per Call	$ 0.459	$ 0.229
Collection Costs	$ 0.007	
Interest for Four months	$ 0.018	$ 0.009
Total	$ 0.484	$ 0.238